

**REMARKS**

We note with appreciation the Examiner's withdrawal of the previous objection to the Specification.

**The Status of the Application.**

The current status of the claims is:

Claims 1-7, 17-22 stand rejected under 35 USC 101.

Claims 1-2, 5-6, 8, 11-15, 17, 19-21, 23, and 26-28 stand rejected under 35 USC 102(b) over the Hoffman reference.

Claims 3-5, 9-10, 16, 18, 24-25, and 29 stand rejected under 35 USC 103(a) over the Hoffman reference.

**The Rejection under 35 USC 101.**

The Examiner has rejected Claims 1-7 and 17-22 under 35 USC 101. We respectfully traverse this rejection and submit that the solicited claims are, in fact, statutory subject matter within the purview of 35 USC 101.

The Examiner's rejection is based upon the contention that the claimed invention does not satisfy any of a number of criteria set forth by the Examiner, and that the claims therefore recite a non-statutory process. We respectfully submit, however, that the claimed invention satisfies each and every one of the Examiner's requirements, as further explained below.

The Examiner first cites a list of items that are considered statutorily protectable subject matter, and contends that the claimed invention is not any of these items. While we respectfully note that an invention does not need to satisfy this list in order to satisfy 35 USC 101, the Applicant's invention, as originally claimed and now amended, is, in fact, a process for facilitating a business transaction as recited on the Examiner's list.

Independent Claims 1 and 17 are "a method of electronically reallocating a portion of a transaction amount in a transaction between a user and a vendor", which is very clearly a method for facilitating a business transaction as required by the Examiner. Moreover, the recited steps clearly provide a method for facilitating this transfer.

Next, the Examiner's contends that the claimed method must correspond to a specific machine or manufacture disclosed within the instant Specification so as not to encompass any other manner of performing the underlying process. We respectfully note that this is more appropriately an issue of the breadth of the claims (as was previously addressed in the response filed November 19, 2002) and not whether the claimed method is statutorily protectable. Nevertheless, the claimed invention satisfies this requirement also, as discussed in more detail below.

Claims 1 and 17 expressly recite a method of electronically (i.e., using an electronic system) transferring a portion reallocated from the transaction amount, which method expressly contains the steps of maintaining the recited accounts and electronically distributing/receiving at least a portion reallocated from the transaction amount to/in the recited accounts. This is expressly provided for in the solicited claims and must be considered in their review.

This clearly corresponds to at least the specific machines (e.g. computer network) set forth in the Specification, which the Examiner has acknowledged are within the technological arts. The fact that invention is not limited to those specific embodiments does not make the subject matter non-statutory.

As noted in the last response filed on April 9, 2003, the Patent Office's own guidelines on the protectability of "business methods" makes it clear that a method does not have to be performed within a specific machine or manufacture in order to satisfy 35 USC 101 (although the claimed invention can). We respectfully note that these guidelines set forth the Office's own understanding of what satisfies Section 101 and are to be followed by Examiners.

Slide 17 of these training materials reminds Examiners that:

"A method or process remains statutory even if some or all of the steps therein can be carried out:  
in the human mind  
with the aid of the human mind, or  
because it may be necessary for one performing the method or process to think. In re Musgrave, 431 F.2d 882, 893; 167 USPQ 280, 289 (CCPA 1970)".

Thus, even if the solicited claims did not utilize any machine they still may satisfy Section 101. Moreover, slide 16 of the training materials reminds Examiners that:

**"Applicant may assert more than one practical application, but only one is necessary to satisfy the utility requirement under 35 U.S.C. 101."** Emphasis added.

Thus, we respectfully submit that the solicited claims satisfy even the Examiner's second requirement, since the claims expressly correspond to at least the specific machines set forth in the Specification.

The Examiner's next objection is that the claimed invention does not satisfy 35 USC 101 based upon the contention that it does not include a post-computer process activity or pre-computer process activity; no physical transformation is performed, and consequently no practical application in the technological arts is found.

While we first respectfully note that this is not a proper test as to whether a claimed process satisfies 35 USC 101, the solicited claims nevertheless satisfy even this requirement by the Examiner.

The solicited claims provide for electronically receiving at least a portion reallocated from the transaction amount from the vendor to the user account. This includes the computer processing activity described in the Specification and is a "physical transformation" as that term appears to be used by the Examiner.

It is also at least one practical application, in that electronically moving funds from a transaction from one location to another for placement into an investment using a computer network or any other electronic mechanism is clearly a practical application. And, as the Patent Office training materials remind Examiners, this one practical application is enough to satisfy 35 USC 101, even if the claims are not limited thereto.

The Examiner has contended that electronically moving funds in the manner claimed is not a practical application. First, we respectfully note that the Examiner's interpretation of Supreme Court's decision in Diamond v. Diehr is contrary to the Patent Office's own interpretation of that case, which follows the current state of the law and which the Examiner is obligated to follow. This is clear from the Patent Office training materials on "business methods."

In those training materials, the Patent Office correctly notes that the Court in Diamond v. Diehr established that abstract ideas themselves are not patentable. (See slide 5). However, the

training materials go on to clarify that when an abstract idea is reduced to a practical application, the abstract idea no longer stands alone if..

**"...the practical application of the abstract idea produces a useful, concrete and tangible result. This then satisfies the requirements of 35 U.S.C. 101. In re Alappat, 31 USPQ 2d 1545, 1558 (Fed. Cir. 1994); State Street Bank & Trust Co. v. Signature Financial Group, Inc., 47 USPQ2d 1596, 1601-02 (Fed. Cir. 1998)." See slides 8 and 9. Emphasis added.**

On the issue of usefulness, the training materials note that Diamond v. Diehr requires that the Examiner look at the claimed invention as a whole and compare any asserted utility with the claimed invention to determine whether the asserted utility is accomplished. Applying utility case law the Examiner will note that:

- (a) the utility need not be expressly recited in the claims, rather it may be inferred;
- (b) if the utility is not asserted in the written description, then it must be well established;
- (c) a specific, substantial and credible utility must be accomplished. (See slide 19).

The claimed invention clearly satisfies these criteria. The solicited claims expressly recite that they enable the electronic distribution and the placement of at least a portion of the transaction amount in the user account into an investment vehicle (such as by using the described computer network). This is certainly a specific, substantial, and credible utility in the patent sense of usefulness.

By way of example, "[T]ransformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces 'a useful, concrete and tangible result' -- a final share price momentarily fixed for recording and reporting purposes and even accepted and relied upon by regulatory authorities and in subsequent trades." See MPEP 2106; State Street, 149 F.3d at 1373, 47 USPQ2d at 1601.

On the issue of concreteness, the training materials note that this question arises when an invention as disclosed is non-enabling and cannot operate as intended without undue experimentation. (See slide 20). This is clearly not the case here, as the Specification provides a detailed discussion as to at least one embodiment of the operation of the claimed invention over a

computer network and thus clearly enables one of ordinary skill in the art how to accomplish the claimed electronic transfer of funds.

Lastly, on whether the result is tangible, the training materials note that an Examiner must determine whether there is more than simply a mathematical construct claimed, such as a disembodied data structure and method of making it. By way of example, the training materials note that even non-technical method steps, such as implementing the steps of a brainstorming session, are a tangible result if the the result is otherwise useful and concrete (as is the case with the claimed invention). (See slide 26).

Thus, while the training materials note that incorporating the use of a specific machine, such as a computer system, to perform part of the process would provide a tangible result, Section 101 does not require it. (See slide 21).

Nevertheless, the claimed invention satisfies even this requirement in that the claimed method requires a portion of the transaction amount to be transferred electronically. This requires the use of a specific machine – an electronic system, such as the disclosed computer network – in order to accomplish the claimed method, which is a tangible result.

While this is evident from the claims as originally presented, Claims 1 and 17 have been revised to clarify that an electronic system, which is tangible and thus produces a tangible result, may be used to electronically transfer the portion of the transaction amount. No narrowing amendments have been made and no new matter has been added.

Because we have demonstrated that the solicited claims meet each and every requirement asserted by the Examiner in order to qualify as protectable subject matter, we respectfully request that the rejection under 35 USC 101 be withdrawn.

#### **The Rejection under 35 USC 102(b).**

Turning now to the merits of the case, we again respectfully submit that the solicited claims are not anticipated by the Hoffman (U.S. Patent No. 5,297,026) reference. Hoffman discloses a system for promoting accounting activity and providing a high rate of return for funds invested by the customer. Hoffman specifically requires that the funds to be invested are above and beyond (i.e., are separate from) the funds paid by the customer for a given purchase or

transaction (Col. 2, lines 3-12; Co. 4, lines 30-54; Figure 1 and Col. 5, lines 42-54; Figure 2; Figure 3).

This is not the claimed invention.

In the system disclosed in Hoffman, the offering entity documents the purchase made by the customer and allows the customer to also to remit a percentage of the total amount separately paid for the purchase to be placed in an investment account. This is noted in Col. 4, lines 30-54, which are relied upon by the Examiner:

"Thus, if the customer has purchased \$1000 of goods and services from a department store .... the customer may invest \$100 with the offering entity .... If the customer pays the entire bill for purchases, \$1100 may be remitted, with instructions (preferably on a provided form) that \$100 is to be placed in the investment account for the customer." Emphasis added.

Hoffman quite clearly requires that the customer submit an amount above and beyond the transaction amount, and it is this amount that is placed in the investment account. In fact, in every single example disclosed in Hoffman, the customer submits an investment amount that is separate from the transaction amount(s). See Figures 1-3 and associated text.

In sharp contrast, in the claimed invention a portion reallocated from the transaction amount is electronically transferred to the investment account. While this was clear from the claims as originally filed, the claims have now been amended to clarify this. These amendments have been made to clarify the meaning of the original language "a portion of said transaction amount" to the Examiner. No narrowing amendments have been made and no new matter has been added.

As is clear from the Specification as originally filed, reallocating a portion of the transaction amount in the manner of the claimed invention is entirely different from separately providing an investment amount above and beyond the transaction amount as in Hoffman.

For example, as clearly stated in Hoffman, in every example shown, the user must provide an amount (e.g., \$1,100) that is more than the transaction amount (e.g., \$1,000), and it is this extra, separate remittance that is transferred to the investment account. In sharp contrast, in the claimed invention, the investment amount is reallocated from the transaction amount. An example of this is described beginning on page 8 of the Specification:

"User 1 wishes to purchase item 7 from Vendor 5 .... The sale price of Item 7, for purposes of this example is arbitrarily set to \$20.

Vendor Processor 6 then contacts Money Transfer Systems 12 and 15 at User Institution 8 and Vendor Institution 9, respectively ....

Under a pre-existing arrangement with Trust Institution 10, Vendor 5 has agreed to allocate a portion of the sale price of item 7 -- in this example arbitrarily set to \$1 -- to User Account 20 under the care of Trust Institution 10....

Money Transfer System 12 forwards the request for a \$20 transfer of funds from User Institution 8 to Transaction Processing Unit 14. Transaction Processing Unit 14 processes the transaction, electronically withdrawing the funds ....

Thereafter, Transaction Processing Unit 14 sends the entire \$20 sale price to Vendor Institution 9. Transaction Processing Unit 17 may credit Vendor Account 18 for the full \$20, and thereafter debit \$1 for deposit in trust User Account 20 by the means previously described. Or, Transaction Processing Unit 17 may only credit \$19 of the \$20 to Vendor Account 18, and forward the remaining \$1 to Trust Institution 10.

Alternatively, Transaction Processing Unit 14 sends \$19 of the \$20 through Money Transfer System 12 to Vendor Institution 9, and sends \$1 of the \$20 to Trust Institution 10 via Money Transfer System 22 .... This \$1 deposit is credited to trust User Account 20. The remaining \$19 is credited to Vendor Account 18 by Transaction Processing Unit 17 in Vendor Institution 9." Emphasis added.

Thus, in the example of the invention shown, a portion of the transaction amount (\$20) is reallocated to the investment account, and the user does not remit any additional funds. While the separate amount provided by the customer in Hoffman is capped as a percentage of the total amount of the purchase it is still a separate remittance and is not a portion of the transaction amount, as in the claimed invention.

The Examiner looks to Figure 3 of Hoffman. However, we respectfully note that Figure 3 of Hoffman also requires a separate remittance for investment, and does not disclose transferring (or reallocating) a portion of the transaction amount, as in the claimed invention.

As shown in Figure 3 of Hoffman and described in the accompanying text, the offering entity 60 (the vendor) issues a statement to customer 14 (the user) that identifies the transaction amount(s) to be paid and the cap on an additional investment amount that may be paid. The user then remits a portion of the transaction amount(s), along with any additional investment amount. It is this additional investment amount (and not the portion of the transaction amount(s)) that is

invested by the vendor in institutional investment 76 (the investment vehicle). In fact, in Col. 7, lines 42-45, Hoffman specifically states that "...The customer can be invited to send a single check, with designation of what portion is to make payment of or on the balance due, and what portion is to be applied as investment funds..."

Thus, not only does Hoffman not disclose the claimed invention, it actually teaches away from it.

Unlike Hoffman, the claimed invention provides a significant advantage in that the user does not have to provide any additional investment funds (as required by Hoffman). This advantage is aptly stated on page 10 of the instant Specification:

"By making the re-allocation of a portion of the transaction price come directly from the vendor's sale price, the transaction is invisible to User 1, and does not require him/her to fund User Account 20 in Trust Institution 10. Instead, User Account 20 is funded by Vendor 5. Vendor 5 in turn receives direct benefits from this arrangement through its tremendous marketing appeal, which provides a significant incentive for User 1 to shop with them. Also, Vendor 5 may receive tax incentives as well. User 1 is provided the significant advantage that he/she can now have investment funds working for him/her - without the need to invest his/her own funds."

Because the claimed transfer of a portion of the transaction (as set forth in the original claims and in the claims as now amended) is nowhere disclosed in Hoffman, we respectfully request that the rejection under 35 USC 102(b) be withdrawn.

#### **The Rejection under 35 USC 103(a).**

We respectfully submit that the remaining solicited claims are also clearly patentable over the Hoffman reference.

It is well established that in order to maintain a rejection under 35 U.S.C. 103, there must be some motivation in the reference to suggest the modification. See MPEP 2143. As expressly stated by the Court of Appeals for the Federal Circuit in In re Mills, 16 USPQ2d 1430 (Fed. Cir. 1990):

"Although a prior art device 'may be capable of being modified to run the way [the patent applicant's] apparatus is claimed, there must be a suggestion or motivation in the reference to do so.' Id.



The teaching or suggestion to make the claimed modification and the reasonable expectation of success must both be found in the prior art, not in Applicant's disclosure. See MPEP 2143; In re Vaack, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991).

Hoffman nowhere teaches or suggests modifying his system along the lines of the claimed invention to reallocate a portion of the transaction amount, nor provides any motivation for one of ordinary skill in the art to do so. This is further evident from the fact that the system disclosed in Hoffman operates in a completely different manner than the claimed invention.

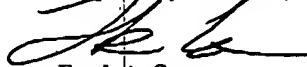
For example, Hoffman provides a review of one or more purchases over a given period of time, and it then calculates a percentage up to which the customer may afterwards contribute separately to an investment account. In sharp contrast, in the claimed invention, a portion of the transaction amount may be electronically distributed to the trust account / investment vehicle; the customer does not have to transfer additional funds.

This allows the system of the claimed invention to operate, for example, invisibly at a retail level. A user may use their credit card at a gas station or store, for example, and a portion of the transaction amount may be automatically transferred to the investment vehicle. This is not possible with the system disclosed in Hoffman and is nowhere suggested therein.

The Hoffman system operates in a completely different manner than the invention as specifically recited in the solicited claims. Absent some teaching or suggestion in Hoffman for modifying the Hoffman system to transfer a portion of the transaction amount, as recited in the solicited claims, a rejection under 35 USC 103(a) cannot stand. Accordingly, we respectfully request that the rejection under 35 USC 103(a) also be withdrawn.

For the reasons set forth above, we respectfully submit that the solicited claims are now in proper condition for prompt allowance, which action is respectfully requested.

Respectfully submitted,



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